Hiring an Advisor for Your Farm

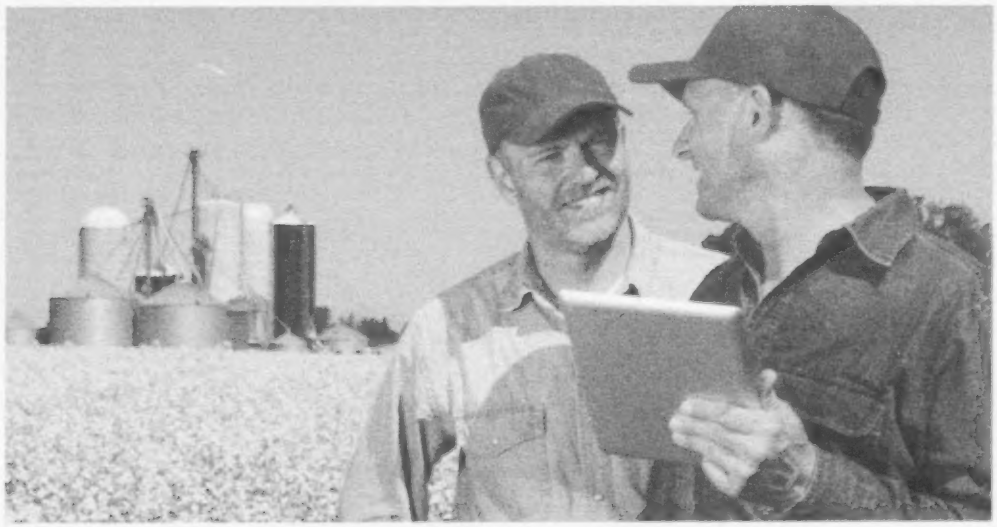
February 2017

Modern farming is a complex and competitive business. Farms are larger and more diverse. Farmers continue to face many challenges, including fluctuating market prices and interest rates, narrow profit margins and the ever present exposure to the risks of weather. Each of these factors can have a dramatic impact on profit and loss.

If you're farming today, you need many talents. But it's impossible to be an expert in everything, so increasingly farmers are looking for outside help to ensure they make well informed decisions and keep their farms profitable. This includes hiring advisors in agronomy, marketing and transition planning, in addition to more traditional management areas, such as accounting and legal advice.

Whether you can benefit from an advisor may depend on what's going on with your farm. Are you thinking about expanding, a new business venture or a new marketing opportunity? Will you have the time to conduct the research and analysis that is necessary? Could some of your needs be better met by hiring an advisor?

A good advisor can provide insight and expertise, helping you move your farm from where it is now to where you want it to be. An advisor can play a number of roles for you, and may save time and money when it comes to making important decisions.



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Growing Forward 2
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How to hire an advisor

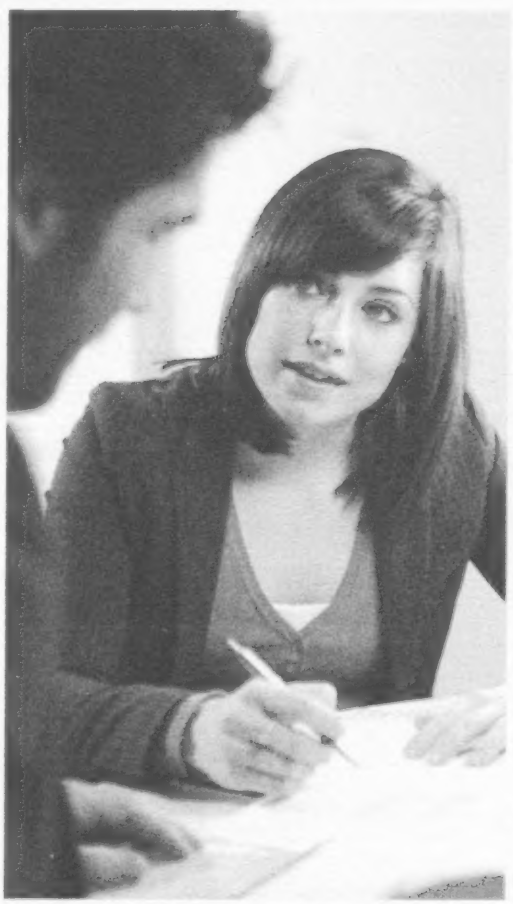
It starts with knowing what you want to achieve by hiring an advisor. A good starting point is to prepare a detailed description of your objectives and requirements, which outlines your goals, timelines, budget, and the qualifications you need from an advisor. Be as specific as possible, so it's clear what needs to be done. This document will help ensure you hire an advisor whose experience and abilities match your needs.

Once you've completed your description of your objectives and requirements, you can start your search for an advisor. Start by connecting with the Canadian Association for Farm Advisors (CAFA). CAFA is a nationally recognized organization for professional farm advisors. You can find them online at: www.cafanet.com. Another good source for professional farm advisors is the Manitoba Institute of Agrologists (MIA). MIA is a self-governing regulator for all agrologists in Manitoba. They can be found online at: www.mia.mb.ca. Ensuring your potential advisor belongs to a professional association means they will meet a high standard of service.

You can also speak with other farmers about their experience with advisors, and who they would recommend. And if your budget allows, you can advertise online or in local media.

When speaking with potential advisors, let them know what you're looking for and ask for a detailed resume with at least three references. It is recommended that you interview at least three candidates, focusing on finding an advisor who has the required experience and technical expertise, and who understands and respects your goals, values and work style.

You'll likely be spending a lot of time with your advisor, so be sure you select someone that you feel comfortable with. Having a calm, trusting relationship with your advisor will be critical to your success. Once you find a candidate that you think will meet your needs, be sure to carefully check references. Ideally, the references should be from farmers who requested the same type of work that you are looking for.



Preparing a contract

Once you've completed the interviews and checked references, and you've decided on an advisor, you'll need to create a contract. It should include:

- a detailed list of the work you want done
- an action plan and timeline, including penalties for not meeting deadlines
- detailed compensation arrangements, including when and how payments will be made
- reporting procedures – what reports you expect, timelines, etc.
- provisions and consequences for non-performance, with a right to terminate the contract

Regarding compensation, fees can be charged a number of ways, including by the hour, by the day or by lump sum. Advisors can also be hired on a retainer, with additional fees for time worked. In your contract, be sure to include items such as travel expenses, photocopying, phone calls and postage. You may want to set limits or spending caps on various items, such as travel and out-of-pocket expenses.

Be sure to conduct periodic reviews of the advisor to ensure you are getting the service required as outlined in your description of objectives and requirements. Address issues early to avoid potential problems and extra expense.

A good investment

Finding the right advisor can be a challenging and time-consuming task. But the time and effort you put in can be a good investment and make a real difference in the success of your farm. Following these steps can help ensure you get the right advisor for your farm.

How do I decide if I need an advisor?

The best way to identify whether you need an advisor is to write down what you need done. Be specific about results you would like to see, timelines, any deadlines you must meet, your budget and any concerns you think the advisor should know about. Ideally, the advisor will have extensive experience in the agriculture industry.

I have narrowed down a list of potential advisors who fit my criteria. How do I pick from the candidates?

A face to face meeting with potential advisors is always best. Most advisors will not charge for a first meeting with a potential client. Before you meet, give the advisor a one page summary outline of your farm and outline the work you would like done. Get the most out of the meeting by preparing a list of questions you will ask each advisor. Follow up the responses with further questions if you require more information. Make sure you take good notes and follow up with the advisor's reference contacts.

Finally, rank the advisors so you can compare your evaluation to how much you will be charged. This will help you make an informed decision on who you will hire.

What are some good questions to ask when checking references?

Some good questions to ask include:

- How do you know the advisor?
- What work did the advisor do for or with you?
- Were you satisfied with the work done by the advisor?
- What are the advisor's strengths?
- What are the advisor's weaknesses?
- Would you use the advisor again?

What is an engagement letter?

An engagement letter, usually written by the advisor, is a list of the expectations and responsibilities for both the advisor and the client in regards to the work the client is hiring the advisor to perform. Not all advisors use engagement letters, some use contracts that essentially accomplish the same goal.

Why do I need a contract or an engagement letter with my advisor?

A contract or engagement letter formalizes the expectations and responsibilities for both yourself and your advisor. They identify:

- work the advisor is hired to do
- deliverables that must be achieved
- what the advisor will charge
- timelines and deadlines
- reporting requirements
- provisions for non-performance

As the client, the contract or engagement letter tells you what is expected of you, time requirements for payments of fees and informs you about any other assumptions that may exist. In the event of a dispute between yourself and the advisor, referring to the contract or engagement letter will help resolve matters.

Good information to put in a contract or engagement letter could include:

- who has the right to terminate the work and for what reasons
- specific dollar limits or caps on the cost of work by the advisor
- notice of a requirement for your written approval for cost overruns
- a statement about who owns the work the advisor performs

What happens if the advisor makes an error?

Many advisors have errors and omissions insurance and third party liability insurance. Ask your advisor to verify that this type of insurance is held and ask for details about what is covered.

What questions should I ask about compensation for my advisor?

How your advisor will charge you and how much you will be charged are important things to know and include in a contract or engagement letter. Questions to ask might include:

- Is the work charged by the hour, day, acre or by the project?
- Will there be retainer fees (payments required to ensure the services of an advisor before the work is started)?
- Will the compensation you pay be contingency-based (a certain outcome is required for payment)?
- When will you be required to make payment?
- Can you hold back a portion of your payment until the project is complete?
- Will there be provisions for non-performance by your advisor?
- What happens if the estimated cost of the work is higher than your budgeted amount?
- What are the approval requirements from yourself to authorize your advisor to go over the budgeted mount?
- How should I monitor the work my advisor is doing for me?

Performance management is important with employees and it should be no different for an advisor. Effectively managing the performance of an advisor starts with how well written the contract or engagement letter is.

Details on the type of work provided by the advisor, deliverables, compensation, timelines, reporting and other details in the contract or engagement letter provide the foundation of your expectations of the advisor.

Should these expectations not be met, it is best to address these concerns as early as possible with open communication and in writing. Provide details about your dissatisfaction and request a plan from the advisor to address your concerns. Make sure this plan is acceptable to you and will accomplish what you originally set out to do in contracting with the advisor.

What should I do if I can't resolve problems with my advisor?

Ideally, any problems with your advisor would be addressed early with open communication and a positive response to the problem by your advisor.

However, in situations where the problem can't be resolved, termination of the contract may be the only viable option.

Be sure to check your contract or engagement letter to see what the termination provisions state. There may be a financial penalty to terminate the contract, so be sure you are aware of the consequences and make an informed decision.

Available in alternate formats upon request.

For more information

- Go to manitoba.ca/agriculture and click on Business and Economics
- Email us at MBFarmBusiness@gov.mb.ca
- Visit your local Manitoba Agriculture office